STATE OF CALIFORNIA Edmund G. Brown Jr., Governor

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

February 5, 2016

Advice Letters PG&E 3637-G/4711-E, SCE 3279-E, SDG&E 2422-E & 2794-E, SoCalGas 4867-G

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Subject: Approval of Low Carbon Fuel Standard (LCFS) Program Annual Credit and Revenue Estimates (2016)

Dear Mr. Jacobson, Mr. Hoover, Mr. Faber, and Mr. van der Leeden:

Summary

The Energy Division has determined that Advice Letters (ALs) PG&E 3637-G/4711-E, SCE 3279-E, SDG&E 2422-E & 2794-E, and SoCalGas 4867-G are in compliance with Decision (D.)14-12-083 and D.14-05-021 (LCFS Decisions) and are effective today.

Office of Ratepayer Advocates (ORA) and Indicated Shippers (IS)[1] protested the ALs. Energy Division finds that the utilities reasonably responded to the protestors' concerns, with additional clarifications below. Energy Division approves the ALs as consistent with the LCFS Decisions.

Background

On September 30 2015, PG&E, SCE, SDG&E, and SoCalGas filed the above referenced ALs pursuant to Ordering Paragraph (OP) 5 and Appendix C of D.14-12-083, which directed the utilities to submit Annual LCFS Credit and Revenue Estimates to Energy Division. These include:

a. An estimate of the number of credits the utility expects to generate for the following year
b. An estimate of the amount of revenue the utility expects to generate from the sale of those credits
c. An estimate of the balance that will be in the utility's balancing account on January 1 of the following year
d. An estimate of the cost of administering the LCFS credit program in the following year, including customer outreach expenses
e. An estimate of the amount of revenue that will be distributed to customers in the following year
f. An estimate of the number of drivers to whom credits will be distributed and the value that will be distributed to each driver

On January 1, 2016, two modifications to State law regarding low carbon fuel use became effective: (1) the Air Resources Board's rulemaking, which adopted new regulations for the LCFS[2]; and (2) Senate Bill 350 (2015), which modifies various Public Utilities Code sections.

Protests

ORA and Indicated Shippers filed protests on October 20, 2015. ORA filed three substantially similar protests to the electric investor owned utilities' (IOUs)[3] ALs regarding their LCFS forecasts and raised three objections. IS protested the redaction of information in SoCalGas' AL. SDG&E's natural gas AL was not protested. The following issues were raised in the protests:

1. Potential non-compliance with ARB's and CPUC policy requirements

[1] According to IS' counsel, IS represents companies that have a mix of California end-use operations, natural gas production, and gas marketing interests, including BP, ConocoPhillips, Chevron, Phillips 66, Tesoro, and California Resources Company.
[2] http://www.arb.ca.gov/regact/2015/lcfs2015/lcfs2015.htm
[3] The IOUs are Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas) and San Diego Gas and Electric Company (SDG&E).

2. Ensuring that the Program meets ARB's and CPUC policy requirements
3. Consideration of alternatives to address D.14-12-083's policy objectives
4. Requests for the disclosure of program data claimed to be confidential

Each of the utilities replied to their respective Protest on October 27, 2015.

Discussion

Energy Division discusses the protests and replies below.

1. Potential non-compliance with ARB's and CPUC policy requirements

ORA identifies that the variability in credit prices, program participation rates, and other variables influence LCFS revenues. In turn, ORA raises concerns that the IOUs' plans to implement the program via the upfront rebate and annual credit mechanisms could result in inadequate incentive levels, unequal distribution among vehicle customers, and grid-averse charging behaviors.

The reliefs requested in the ALs are consistent with the LCFS Decisions and comport with the direction provided therein on the design of the LCFS return mechanisms. The LCFS Decisions allow the IOUs flexibility in the early stages of their participation the LCFS market and program operations. The Decisions avoid onerous restrictions on sales[4], require answers about new program logistics[5], and provide program objectives for the IOUs to target.[6] Specifically, D.14-12-083 concludes that "annual credits and upfront rebates are the best options for achieving the Commission's objectives"[7] and is silent on an exact incentive amount to allow the IOUs to "appropriately tailor…programs to the needs of PEV drivers in their individual territories."[8] In addition, the IOUs must justify the return amount among the several program constraints and are expressly permitted to distribute revenue via the two mechanisms as revenue fluctuates.[9] Therefore, ORA's protests are denied.

2. Ensuring that the Program meets ARB's and CPUC policy requirements

In addition to recommending the Programs meet policy requirements, ORA recommends that the IOUs coordinate the design of a statewide education program on the benefits of EVs.

As stated above, Energy Division rejects the protests as unfounded because the IOUs' Implementation Plans are consistent with the LCFS Decisions. Energy Division reiterates the goals of D.14-12-083 here. The utilities should collaborate with and leverage the experience of industry stakeholders to maximize customer awareness by undertaking outreach activities aligned with D.11-

[4] D.14-05-021, Conclusion of Law 4, at p. 22.
[5] D.14-12-083, Section 4.6
[6] Id, Section 4.2
[7] Id, at p. 24.
[8] Id, Conclusion of Law 5 at p. 50.
[9] Id, Section 4.4 and LCFS Implementation Plan Advice Letters

07-029, and other Commission PEV orders[10] in a manner that is competitively neutral and recognizes the State origin of the credits. In addition, this program should be consistent with P.U. Code 701.1 as amended by Senate Bill 350. Energy Division highlights and further recommends that the utilities explore the potential to manage limited LCFS revenue by coordinating across individual programs and with existing PEV education efforts.

3. Consideration of alternatives to address D.14-12-083's policy objectives

ORA recommends, pursuant to Energy Division's biennial review of the IOUs' implementation of the LCFS Program[11], that a study review 1) the effectiveness of the return mechanisms on customer participation rates; 2) the effect on Alternative Fuel Vehicle adoption; 3) the effect on charging behavior; and 4) the effect of the IOUs' marketing, education, and outreach activities. Furthermore, ORA requests that the Commission invite alternatives to the adopted mechanisms including incentives for "make-ready" infrastructure or Time-Of-Use (TOU) rates for off-peak charging.

Energy Division does not foreclose these elements from the review that it was previously authorized to complete in D.14-12-083. However, at this time Energy Division will not determine the final scope of the study given that the program has not yet launched.

Energy Division denies ORA's recommendations for alternative return mechanisms as unfounded pursuant to GO 96-B Rule 7.4.2, which requires that protests to the utilities' sought reliefs identify violations of Commission orders. Stated earlier, the utilities' proposals were consistent with the upfront rebate and annual credit mechanisms permitted for PEVs in D.14-12-083. Specifically, the Commission found "make-ready" infrastructure subsidies to be ineligible[12] and the modification of existing TOU rates is not germane to an AL.

4. Requests for the disclosure of program data claimed by the IOUs to be confidential

In its protest, IS states that SoCalGas inadequately "supports its conclusion that all of the data are confidential" and requests the release of information related to the cost of the program and the amount of revenue that will be distributed to customers because their release would not disclose market sensitive information.

In its reply, SoCalGas states that its responses were appropriately confidential for the following reasons: 1) the other IOUs similarly treat the Balancing Account balance as confidential information and 2) given the early stages of the IOUs' participation in the LCFS market, any information released could disclose SoCalGas' expectations for credit sales.

Energy Division agrees that the IOUs appropriately treated the Balancing Account as confidential, given that there are other public and proprietary information that can be accessed by market participants, such as the number of alternative fuel vehicles within a service territory, volume of fuel sold, and formulas published in the LCFS Regulation.[13] IS represents five "Parties Reporting

[10] Energy Division notes the utilities' PEV infrastructure applications (SDG&E A.14-04-014 and D.14-01-045, SCE A.14-10-014 and D.14-01-023, and PG&E A.15-02-009), which as pending or approved, budget funds for program outreach.
[11] D.14-12-083, OP 6, at p. 54.
[12] Id, Finding of Fact 21, at p. 48.
[13] http://www.arb.ca.gov/regact/2015/lcfs2015/lcfsfinalregorder.pdf

Transactions" in the LCFS Reporting Tool, and are thus market participants that purchase Low Carbon Fuel credits to comply with ARB's Carbon Intensity reduction schedules.[14] Releasing Balancing Account data would be inconsistent with the direction of D.14-05-021, which requires the utilities 1) to use the credits to minimize the social cost of alternative fuels and transportation and 2) to directly benefit alternative fuel customers with the credit sales' revenue.[15] To maximize ratepayer value from the LCFS, market sensitive forecast data, including the Balancing Account revenue, must receive confidential treatment to ensure that the IOUs' positions, as credit sellers, are not disclosed to credit buyers.[16] Further, the other IOUs included administrative costs and SoCalGas supplemented their AL with such data on January 28, 2016. Therefore, IS' protest is rejected.

Disposition

Energy Division reviewed the protests and replies as discussed above. The utilities' proposed Annual Low Carbon Fuel Standard Credit and Revenue Estimates (Advice Letters PG&E 3637-G/4711-E, SCE 3279-E SDG&E 2422-E & 2794-E, SoCalGas 4867-G), and their response to the protests of ORA and IS are reasonable. Energy Division approves the Advice Letters and encourages the utilities to implement the programs to benefit customers expeditiously.

Sincerely,

Edward Randolph
Director, Energy Division
California Public Utilities Commission

cc:
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R.11-03-012 Service List

[14] http://www.arb.ca.gov/fuels/lcfs/regulatedpartiesreporting20150508.pdf
[15] D.14-05-021, at p. 11-12, footnote 11.
[16] Id, Conclusion of Law 4 at p. 22.

Ronald van der Leeden
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January 28, 2016

Advice No. 4867-A
(U 904 G)

Public Utilities Commission of the State of California

Subject: Supplement: Low-Carbon Fuel Standard (LCFS) Program Annual Credit and Revenue Estimates (2016)

Southern California Gas Company (SoCalGas) hereby submits for approval by the California Public Utilities Commission (Commission) the following estimates for Natural Gas Vehicle (NGV) Low Carbon Fuel Standard (LCFS) credits and revenues for 2016.

Purpose

This supplemental filing replaces in its entirety Advice Letter (AL) No. 4867, filed on September 30, 2015. In accordance with Decision (D.) 14-12-083 Ordering Paragraph (OP) 5, this filing provides estimates of LCFS credits and revenues for 2016.

Background

On May 19, 2014, the Commission issued D.14-05-021, in which OP 1 authorized SoCalGas to sell LCFS credits according to the parameters and restrictions set forth in Appendix A. OP 7 of D.14-05-021 authorized the utilities to establish balancing accounts to track LCFS credit revenue, while OP 6 authorized recovery of costs associated with administering the sale of LCFS credits upon their approval in an implementation Advice Letter (AL).

On December 23, 2014, the Commission issued D.14-12-083, in which OP 2 authorized SoCalGas to return to customers revenue from the sale of natural gas LCFS credits as either a reduction in the fuel price at the point-of-sale at utility-owned compressed natural gas (CNG) refueling stations or a reduction in the volumetric energy rate levied on natural gas used for refueling natural gas vehicles for customers. OP 3 included the list of items that SoCalGas was directed to comprehensively address in its Implementation Plan. The Implementation Plan was directed to also include any information required by D.14-05-021. Appendix A of D.14-12-083 provided a comprehensive listing of the items to be included in the Implementation Plan. SoCalGas filed its Implementation Plan for Commission approval by AL 4779 on March 18, 2105, which was approved by the Commission on August 5, 2015, and made effective July 30, 2015.

SoCalGas filed AL 4867 on September 30, 2015. Indicated Shippers protested AL 4867, requesting that certain items that had been provided confidentially to the Commission, but would not result in the disclosure of SoCalGas' expected number of LCFS credits or market price, be disclosed. In Reply, SoCalGas agreed that providing the estimated cost of administering the LCFS credit program in 2016 would not result in a disclosure of market-sensitive information, and is submitting this Supplemental AL to provide publicly that information.

2016 Credit and Revenue Estimates

SoCalGas hereby provides the non-confidential 2016 credit and revenue estimates requested by the Commission in D.14-12-083.

> **The cost of administering the LCFS credit program in 2016, including customer outreach expenses**
>
> SoCalGas' estimated administrative costs for 2016 are $68,000. SoCalGas and San Diego Gas & Electric Company use a single contractor to manage the generation of credits for all utility-owned CNG stations. These administrative costs will be allocated between the utilities based on the percentage of credits each utility generates, and is estimated to be $15,000 for SoCalGas. Brokerage costs are estimated to be about $3,000. Finally, SoCalGas expects initial system implementation costs of around $50,000. These costs include necessary IT changes to an existing auditable deal tracking system, incremental costs for creating and executing contracts for the sale of LCFS credits, and setting up the appropriate accounting of the sale of the LCFS credits.

Due to the confidential nature of the remaining 2016 credit and revenue estimates requested by the Commission in D.14-12-083, the following information is being provided to Energy Division in a Confidential Attachment A, pursuant to General Order (GO) 66-C and Section 583 of the Public Utilities Code:

1. The number of credits SoCalGas expects to generate in 2016
2. The amount of revenue SoCalGas expects to generate from the sale of LCFS credits
3. The balance that will be in SoCalGas' LCFSBA on January 1, 2016

4. The cost of administering the LCFS credit program in 2016, including customer outreach expenses (Provided above)
5. The amount of revenue that will be distributed to customers in 2016
6. The number of drivers to whom credits will be distributed and the value that will be distributed to each driver

Protest

In accordance with General Order 96-B, Section 7.5.1 and at the direction of Commission Staff, SoCalGas hereby requests that the protest period be waived, as the updates included in this AL were done strictly to comply with D.14-12-083.

Effective Date

Per OP 5 of D.14-12-083, this filing is subject to Energy Division disposition and is classified as Tier 2 (effective after staff approval). SoCalGas respectfully requests that this filing be approved on January 28, 2016, which is the date filed.

Notice

A copy of this AL is being sent to SoCalGas' GO 96-B service list and the Commission's service list for R.11-03-012. Address change requests to the GO 96-B should be directed by electronic mail to tariffs@socalgas.com or call 213-244-3387. For changes to all other service lists, please contact the Commission's Process Office at 415-703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Ronald van der Leeden
Director- Regulatory Affairs

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY (U 904G)**

Utility type:	Contact Person: Sid Newsom
☐ ELC ☒ GAS	Phone #: (213) 244-2846
☐ PLC ☐ HEAT ☐ WATER	E-mail: SNewsom@semprautilities.com

EXPLANATION OF UTILITY TYPE	(Date Filed/ Received Stamp by CPUC)
ELC = Electric GAS = Gas	
PLC = Pipeline HEAT = Heat WATER = Water	

Advice Letter (AL) #: 4867-A

Subject of AL: Supplement: Low-Carbon Fuel Standard (LCFS) Program Annual Credit and Revenue Estimates (2016)

Keywords (choose from CPUC listing): Balancing Account, Credit.

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.14-12-083 and D.14-05-021

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL[1]: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required? ☐ Yes ☒ No

Tier Designation: ☐ 1 ☒ 2 ☐ 3

Requested effective date: 1/28/16

No. of tariff sheets: 0

Estimated system annual revenue effect: (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: None

Pending advice letters that revise the same tariff sheets: None

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
EDTariffUnit@cpuc.ca.gov

Southern California Gas Company
Attention: Sid Newsom
555 West 5th Street, GT14D6
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ATTACHMENT A

Advice No. 4867-A

2016 CREDIT AND REVENUE ESTIMATES, CONFIDENTIAL

CONFIDENTIAL – PROVIDED ONLY TO THE ENERGY DIVISION UNDER THE PROVISIONS OF GENERAL ORDER 66-C AND SECTION 583 OF THE PUBLIC UTILITIES CODE